

**ANNUAL REPORT DRAFT
YEAR ENDING
2010/2011**

Second Draft



MTUBATUBA MUNICIPALITY

TABLE OF CONTENT

Chapter 1

Introduction and Overview

Mayor's forwards

Statement by MM

Overview

Executive Summary

Chapter 2

Performance Highlights- Good Governance and Community Participation

Chapter 3

Performance Highlights- Basic Service Delivery and Infrastructure

Chapter 4

Performance Highlights- Municipal Transformation and Institutional Development

Chapter 5

Financial Report

Chapter 6

Conclusion

Chapter 7

Annexures

CHAPTER 1

INTRODUCTION AND OVERVIEW

1.1 MAYOR'S FOREWORD

I have great pleasure to introduce the 2010/2011 Annual Report of Mtubatuba Municipality, which is both a legislative and accountability requirement. In terms of Section 46 of the Local Government Systems Act No. 32 of 2000 and Sections 121 and 127(2) of the Local Government Municipal Finance Management Act No. 56 of 2003, the Municipality must prepare an annual report for each financial year and the Executive Mayor must table such report in Council within seven months after the end of each financial year.

This Annual Report is a culmination of the implementation of the Council's adopted Integrated Development Plan and Budget and Service Delivery and Budget Implementation Plan for the 2010/2011 financial year. This Report presents the institution's achievements and challenges in working smarter, better and together in improving service delivery and development, in response to the performance areas will be outlined in this Annual Report President's clarion call on all public officials to make 2011 a year of action.

1.1.1 Achievements

The Municipality's progress in achieving its objectives in all five key performance areas will be outlined in this Annual Report. The key performance areas are as follows:

- Basic service delivery and infrastructure development
- Municipal financial viability and management
- Municipal transformation and development
- Local economic development
- Good governance and public participation

Key achievements over the review period include the following:

- (a) Receipt of unqualified audit opinion from the Auditor-General,
- (b) 2011/12 budget approved by council and Exco on 31 May 2011,
- (c) Budget and IDP process plan approved by Exco and Council by 30 August 2010,
- (d) Provision of free basic electricity for 700 households and
- (e) New electricity connections at Khula and Ezwenelisha for 783 households

1.1.2 The year ahead

Despite the notable progress made during the 2010/2011 financial year, the Municipality is acutely aware of the many challenges that waits;

- (a) Managing the drought and pursuing drought relief assistance
- (b) Developing a framework for the establishment of a SCOPA-like to enhance accountability.
- (c) To ensure that the housing backlog is reduced through the provision of quality, sustainable human settlements

- (d) Developing ward-based profiles that include social infrastructure backlogs, to improve the quality of information available.
- (e) Developing and implementing an integrated strategy to eliminate illegal dumping.
- (f) Finalising the establishment of the Municipal Police Service towards achieving a crime-free Municipality.
- (g) Communicating more, and more effectively, with the residents of Mtubatuba Municipality.

The Municipality has demonstrated its commitment to serving the people of Mtubatuba, by committing resources and efforts in HIV/AIDS programs. The Local AIDS Council was established and met four times during the year. These meetings led to four workshops wherein the community was made aware of the dynamics of being effected and affected by HIV/AIDS. These led to a Local AIDS Indaba that set a clear program of action for combating and dealing with the effects of HIV/AIDS.

As we conclude the first financial year in office we look back at the transitional challenges we have faced, we charge forward, humbled by the mandate put on our shoulders by people of Mtubatuba Municipality. We are certain that the lives of the people of this Municipality will indeed be better because working together council, administration and our people we can achieve this dream.

Mayor Cllr.
MM Devies

1.2. Yearly Programme Priorities Statement By The Municipal Manager

As the Accounting Officer of the Mtubatuba Municipality, I confirm that this 2010/2011. Annual Report has been compiled in line with the Local Government : Municipal Systems Act 32 of 2000, the Local Government : Municipal Finance Management Act 56 of 2003, the National Treasury Circular No. 11, as well as the customised template and guidelines for municipal annual reports provided by the Provincial Department of co-operative Government and Traditional Affairs. The key priority areas of the institution during the year under review find their expression in the Integrated Development Plan, Budget and Service Delivery and Budget Implementation Plan and include the following;

- (a) Implementation of operational efficiency plan to achieve a leaner and more cost-effective institution.
- (b) Introduction of employee performance awards.
- (c) Acceleration of the roll out of basic services to the communities of Mtubatuba
- (d) Prioritisation of the Expanded Public Works Programme to ensure job creation and poverty eradication.
- (e) Development of a drought response plan to address water problem.
- (f) Improve internal communication with staff through the medium of Rise Staff Magazine.
- (g) In the 2011/12 financial year, the following areas will receive priority
- (h) Working quicker and smarter and enhancing performance.
- (i) Transforming the Municipality into a customer friendly and service orientated institution.
- (j) Implementing the Council adopted Turnaround Strategy to set the Municipality on a new inclusive development path.
- (k) Roll-out of the directives and agreements adopted at the key Economic
- (l) Summit hosted by the Municipality and attended by all major economic stakeholders in the Municipality.
- (m) Improving labour relations and staff morale.

I would like to extend my warmest appreciation to the political leadership, staff and community at large of the Mtubatuba Municipality for their contribution, hard work and dedication in ensuring a highly successful, memorable good organization culture and behaviour to bring the progress made during the 2009/10 financial year

Municipal Manager
Mr. SR Ntuli

1.3 OVERVIEW OF THE MUNICIPALITY

1.3.1 Geographic and demographic profile



Municipal Demarcation Board Code: KZ275

Location of Head Office: Mtubatuba is 51 km north of Empangeni (N2) and 31 km west of St Lucia (R618) Municipal Area (km²): 704.58. Towns within the municipal boundaries: KwaMsane, Mtubatuba, River View, St Lucia. The Town was named after Inkosi Mtubatuba (1912) of Mkhwanazi clan, Kwa-Mpukunyoni; its District Municipality is Umkhanyakude.

Key Personnel

Hon. Mayor: Cllr. M.M. Davies

Acting Municipal Manager: Mr. Njabulo Dludla

Postal Address

P.O. Box 52

Mtubatuba

3935

Physical Address:

Lot 105, St Lucia Road

Mtubatuba

3935

Tel Number: + 27 (35) 550 0069

Fax Number: +27 (35) 550 0060

E-mail: mm.mtuba@lantic.net

<http://www.mtubatubamunicipality.org.za/>

The Mtubatuba Local Municipality is situated along the northern coastal belt of KwaZulu-Natal. Mtubatuba is located roughly 200 kms north of Durban and 55 kms north of the Richards Bay/Empangeni City along National Route N2. The town is ideally located as a base from which to explore the rich culture of the Zulu Nation and world renowned game reserves and the iSimangaliso Wetland Park - about 25 km away. Mtubatuba has developed from a humble railway siding into a strong sub-regional commercial, service, transport and administrative centre for the entire North Eastern Zululand region. In the past few years there has been substantial commercial growth in Mtubatuba with retail and wholesale outlets opening. Mtubatuba status as an economic hub of northern KwaZulu-Natal needs to be maintained by upgrading of the town and its amenities through provision of residential land and shopping facilities. The Umfolozi Sugar Mill, part of Illovo Sugar Limited is the industrial flagship of Mtubatuba and a number of service orientated light industrial concerns are located within the industrial area of Mtubatuba.

St. Lucia has a long history with seafarers, hunters, Governments, travellers fisherman and holiday makers. St. Lucia, the town, is the most southern entrance to the Greater St. Lucia Wetland Park World Heritage Site. The town is approximately 30 km to the east of the N2 north south main tourist route.

1.3.2 Current Situation

More than half of the households in the municipality live in tribal villages or on rural farms. In addition, there is considerable overcrowding in the formal town of Kwamsane. Consequently, the municipality has initiated two projects to provide additional housing for the people. The national Department of Water Affairs and Forestry has purchased two farms, adjoining and north of Monzi, to provide alternative land for settlement by families residing in the sensitive indigenous forests, and has allocated a portion of state forest land to accommodate 750 families in an agric-village layout. Access to the farming and rural communities within the municipal area is provided by network of low-order local roads. The municipal area is well supplied with natural water bodies, wetland areas and indigenous forests, as well as good quality ground water.

1.3.3 Socio-Economic Profile

The largest employment sector is the agricultural sector. Timber is provided for pulp, poles, firewood and veneer. The mill at Riverview is the focus of the sugarcane activities.

Natural resources provide the focus for the eco-tourism industry, which extends beyond the municipal area into adjoining municipalities, formal game and nature reserves and private game lodges. Various accommodation establishments are located in the greater Mtubatuba area along with restaurants and sporting facilities.

1.3.4 Tourism

St Lucia Estuary is the gateway to the eastern shores of Lake St Lucia. Extensive conservation programmes have been undertaken since a game reserve was established on the estuarine system fed by the Mkuze, Nyalazi and Hluhluwe rivers.

The iSimangaliso Wetland Park, is a World Heritage Site encompassing five different ecosystems. Its wetlands, swamps, mangroves and lagoons attract many eco-tourists and nature lovers. The region contains the highest vegetated dunes in the world, extensive and diverse wetland systems, as well as coastal grasslands with an associated fauna which includes the Africa's highest density of common reedbuck. Numerous waterfowl, grassland, forest and sea birds provide an attraction to birdwatchers from around the world.

In February 2002 the National Environmental Management Act of 1998 came into effect, banning the use of vehicles within the coastal zone. This has curtailed the use of St Lucia beach for recreational and boating purposes.

The concerns of the St Lucia community arise from the impact which such banning will have on the economic future and stability of the town. The Mtubatuba municipality has made application for the formal designation of a recreational use area at St Lucia.

Tourist amenities include fishing, the St Lucia Crocodile Centre, and a short self-guided trail through the coastal forest along the edge of the estuary. Caution is necessary when surfing or swimming in the sea as there are no shark nets. Swimming in the lake is prohibited due to the presence of crocodiles. Malaria precautions are necessary. Accommodation is provided at St Lucia Estuary in three camping and caravan grounds. Turtle breeding season starts October the one year until April the next year while whale watching season is from June until December. For the sport fishermen St. Lucia offers game fishing, rock and surf fishing, fly fishing and spear fishing.

St. Lucia also offers hippo cruises, walking trials, kayak safaris, night safaris, and game safaris. The wide open beaches with the high sand dunes are perfect for sun bathing, volley ball, picnics and relaxing walks Nearby Cape Vidal is a gorgeous stretch of beach where one can swim, snorkel, fish and sail.

1.3.5 Population numbers and Distribution

According to the 1996 census, the municipal area had a total population of 25715. The 2001 census shows a total population of 35210

Comparative figures for Census 1996 and 2001 by Ward			
Ward	1996	2001	% increase (enumerated figures 1996-2001)
1	6596	12116	83.69%

2	3699	5080	37.33%
3	6059	7185	19.23%
4	7827	8672	10.80%
5	1540	2157	40.06%
TOTAL	25715	35210	36.92%

Population figures for UMkhanyakude: released on 11 March 2008

	Persons		Households	
	Census 2001	Census 2007	Census 2001	Census 2007
DC27: UMkhanyakude District	573 341	614 046	101563	114 973
Umhlabuyalingana Municipality	140958	163 694	25 959	27 006
Jozini Municipality	184 052	207 250	33 534	38 530
Big five false bay municipality	31 291	34 991	6183	6 657
Hlabisa Municipality	176 890	150 557	26876	29 260
Mtubatuba Municipality	33612	46 596	7472	11 339
District Management Area	6 538	10 958	1539	2 181

Social Services Facilities

The assumption that the municipal population as indicated in the 1996 census is the correct data, then it is only in the sport field and clinic categories that the current provision of service facilities is in short supply

POPULATION NUMBERS AND EXISTING AND REQUIRED SCHOOLS				
YEAR	POPULATION	NUMBER OF SCHOOL FACILITIES REQUIRED		
		HIGH	PRIMARY	CRECHE
1996	25715	4	10	4
2001	35210	6	14	6
FACILITIES EXISTING 2007		3	13	UNKNOWN

1.3.6 HOUSING, SETTLEMENT AND LAND CLAIMS

1.3.6.1 Residential property market

Based on the analyses of property market it has been identified that the demand for residential developments is 100% for middle income market segments. This is where the demand for housing is as well as there is a substantially high proportion of middle income households that fall within the middle income category of 19% in Mtubatuba. The demand for housing in the middle income segment is within the Mtubatuba and Mkhanyakude areas as indicated by estate agents would be 80% in Mtubatuba, 17% in Mkhanyakude area and 3% comprising of Kwazulu Natal and Gauteng

1.3.6.2 Demand for Residential Property

The demand for new residential properties is estimated to reach 80 000 by 2014. The expected average growth rate is approximately 11% over the next 3 years.

1.3.6.3 Residential property market

- (a) Residential developments is 100% for middle income market segments. This is where the demand for housing is as well as there is a substantially high proportion of middle Based on the analyses of property market it has been identified that the demand for income households that fall within the middle income category of 19% in Mtubatuba.

1.4 EXECUTIVE SUMMARY

1.4.1 Municipal Vision

“Mtubatuba – With its people, for its People – the vibrant, prosperous eco-tourism and Development Heartland of Umkhanyakude, KwaZulu – Natal”

1.4.2 Mission

“Our mission is to promote a quality and sustainable delivery of municipal services by:

- Involving communities in the development process;
- Forging strategic alliances and partnerships between the municipality and government departments, NGOs, CBOs, Private Sector to ensure speedy and co-ordinate delivery”

1.4.3 Core values

The Municipality is committed to deliver services within the framework of *Batho Pele* principles, as outlined below:

- ***Courtesy and ‘People First’***

Residents should be treated with courtesy and consideration at all times.

- ***Consultation***

Residents should be consulted about service levels and quality, when possible.

- ***Service excellence***

Residents must be made aware of what to expect in terms of level and quality of service.

- ***Access***

Residents should have equal access to the services to which they are entitled.

- ***Information***

Residents must receive full and accurate information about their services.

- ***Openness and transparency***

Residents should be informed about government departments, operations, budgets and management structures.

- ***Redress***

Residents are entitled to an apology, explanation and remedial action if the promised standard of service is not delivered.

- ***Value for money***

Public services should be provided economically and efficiently.

1.4.3 Performance highlights

An overview of the basic service delivery and financial performance highlights of the institution during the 2009/10 financial year is presented below:

1.4.3.1 Free basic services

The Municipality provides free basic services to approximately.....indigent household in Mtubatuba Municipality.

1.4.3.2 Electricity

Altogether..... of households now have access to electricity. Progress with regard to the provision of electricity is reflected below:

Type of services	2009/10	Actual 2010/11	Targeted 2010/11
% of household with access to electricity			
Total number of household with access to electricity			

1.4.3.3 Water and sanitation

Progress with regard to the provision of water and sanitation services is reflected below:

Type of services	2009/10	Actual 2010/11	Targeted 2010/11
% of household with access to water and sanitation within 200m radius			
Total number of household with access to water and sanitation within 200m radius			

1.4.3.4 Refuse removal

Progress with regard to refuse removal is reflected below:

Type of services	2009/10	Actual 2010/11	Targeted 2010/11
% of informal household in urban or peri-urban areas with access to basic level of waste collection.	0%- Proper Plan not available.	0%-Proper Plan not available	0%-Proper Plan not available
% of formal household in urban or peri-urban with access to kerbside waste collection services	There is a lot of work done but can not be majored because of the implementation plan	There is a lot of work done but can not be majored because of the implementation plan	There is a lot of work done but can not be majored because of the implementation plan

1.4.3.5 Housing and land delivery

Performance with regard to housing delivery is reflected below:

Type of services	2009/10	Actual 2010/11	Targeted 2010/11
------------------	---------	----------------	------------------

Number of housing opportunity provided			
Number of houses constructed and issued occupancy certificate			

1.4.3.6 Financial sustainability

The Municipality's financial position is sound, as reflected by the following credit ratings:

RATING HISTORY

Key challenges confronting the institution include the following:

- • The drought, which has reached disaster levels of water
- • Poverty and unemployment.
- • High prevalence of TB, HIV and AIDS.
- • Illegal dumping.
- • Universal access to basic services and maintenance of infrastructure.
- • Intergovernmental co-ordination across spheres of government.

CHAPTER 2

PERFORMANCE HIGHLIGHTS- GOOD GOVERNANCE AND COMMUNITY PARTICIPATION

2.1. BROAD OVERVIEW BY DIRECTOR COMMUNITY SERVICES

With the ushering in of the new council, the community services department had a challenge of managing that transition. From the pressure that is put on the department by the pre-election expectations to managing reestablishment of new ward committees, the department has been on overdrive to ensure that the community of Mtubatuba Municipality for the integral part in the taking of key developmental decisions by the council.

2.1.1 Overview of Executive and Council functions and achievements

During this period the Department of Community Services received a full engagement and full commitment from all councillors of the Municipality include Political office Bearers and PR Councillors. The Council participated very well and the relationship between the Department, Portfolio Committee members, Executive Council members and the Council was in a very high standard which resulted to a smooth running of the Department and promoted service delivery.

2.1.2 Public Participation and consultation

In community participation although some events took place in good order but we experienced some challenges which resulted from the fact that the Department did not have the finalised strategic planning document. This challenge need to be attended very soon.

2.1.3 Ward committee's establishment and functionality

Ward Committees were established, training also provided but we also experienced high level of absenteeism from the members of the community, some even go away from the area without informing the department.

2.1.4 Public relations and events management

The department managed to implement and achieved the number of events such as, Senior Citizens' and OVCs Christmas, delivery and official hand over for many other projects like toilet facilities, Community Halls , Market Stalls and so on.

2.2 KEY CHALLENGES

As outlined above the transition has been the biggest challenge, however the commitment and the enthusiasm fuelled by passion to serve on the side of the new councillors made it easier for the department to work with councillors to manage such a transition with the community.

The lack of internal resources to develop a clear Communication strategy, that will set clear objectives and strategies to ensure full involvement of the community, is a major constraint. Such a strategy will ensure that this Municipality is truly and authentically for the people as

voted to by the people. In the ensuing financial year a proposal will be submitted to Cogta for funding the development of the Strategy.

2.3 KPA ACHIEVEMENT REPORT

Below is the detailed annual performance report for the department.

Key performance indicator (KPI)		Baseline	Target	Actual	Explanation of variance/Comments
KPE 1 Good Governance, Community Participation and Ward System					
2.1	Number of road shows/imbizo's (IDP and Budget) at ward level.	Public Participation	3 meetings per ward (3x5=15)	Target not achieved only two meetings held.	Financial constrains
2.1.1	Public participation strategy and charter	Public Participation	Approved Public participation strategy and charter by 30/12/10		
2.1.2	Complaints Management policy	Public Participation	Approve complaints management policy by 30/12/10		
2.2	No. Of meetings by each stakeholder forum	Establishment of the stakeholders forum (NGO's, Youth, Gender	Quarterly meetings per forum. 2w/shops, 4 meetings & 4 reports.	75% achieved, forums established and 3 quarterly meetings held.	Only one workshop took place because of financial constrains.
2.3	Number of radio slots and newsletters	Coordinating Mayoral radio slots and newsletters	8 radio slots and 3 publications	80% achievement, only radio slots were done, publications did not.	Budget was sufficient for radio media alone
2.4	Date finalised	Implement PPP ward committees	Finalisation of ward committee	Target 100% achieved.	Target met
2.4.1	Number of ward committee meetings	Seating of ward committees	4 ward committee and 4 ward committee forum meetings	Target 100% achieved.	Target met
2.4.2	No of workshops conducted	Improving functionality of ward committees	2 workshops by 30/03/11	Target was 100% achieved	Target achieved
2.4.3	Skills audit of ward	Improving	Skills audit and	Audit plan	Target not achieved

	committee members	functionality of ward committees	capacitating plan	was not in place	
2.4.4	Women's Day celebration and Man's indaba. Level of involvement consultation and participation of Traditional leadership in Municipal development issues	Gender/Women empowerment, engagement with Traditional leadership.	Women's day celebration and Man's indaba held and 4 meetings	Women day celebration and men Indaba, including traditional leaders issues was 100% achieved	Target achieved
2.5	% achievement of internal audit plan	Internal audit activity	100% compliance with plan.	FINANCE DEPARTMENT	
2.6	Approved risk profile	Risk assessment	Updated risk profile approved	FINANCE	
2.6.1	Quarterly reports	Risk management strategy	Risk management strategy development and approved	FINANCE	
2.7	Quarterly meetings	Audit committee	4 meetings	FINANCE	
2.7.1	Number of members	Audit committee	Appointment of additional members	FINANCE	
2.7.2	Quarterly meetings and reports	Performance audit committee	4 meetings and 4 reports	FINANCE	
2.7.3	Internal audit	Establishment of an internal audit unit	Internal Audit unit	FINANCE	
2.7.4	Internal audit reports	Municipal accounts	Quarterly reports	FINANCE	
2.7.5	Anticorruption strategy	Fraud prevention strategy	Update and implementation of strategy.	FINANCE	
2.7.6	% awareness within the municipality	Fraud prevention strategy	50%	FINANCE	

2.4.1. KEY ACHIEVEMENTS FOR PUBLIC FACILITIES MANAGEMENT

During the financial year ending 30 June 2011 some great achievements were made in respect of ensuring adequate provision of public facilities to the community. 3 new Community Halls were built and completed during the financial year. 3 Crèches were constructed and were 75% complete by the end of the financial year. Two market stalls were built and completed in KwaMsane and Mtubatuba town.

2.4.2. KEY ACHIEVEMENTS IN OTHER COMMUNITY SERVICES AREAS

The Municipality has demonstrated its commitment to serving the people of Mtubatuba, by committing resources in investing in HIV/AIDS programs. The Local AIDS Council was

established and met four times during the year. These meetings led to four workshops wherein the community was made aware of the dynamics of being effected and affected by HIV/AIDS. These led to a Local AIDS Indaba that set a clear program of action for combating and dealing with the effects of HIV/AIDS.

2.5. KEY ACHIEVEMENTS FOR SOCIAL SERVICES

KPA ACHIEVEMENT REPORT

Key performance indicator (KPI)		Baseline	Target	Actual	Explanation of variance/Comments
KPE 4 Community Services and Social Development					
4.1.1	Number of facilities (Community Halls) provided	New facilities provided	3 Halls provided by 30/06/2011	4 halls were completed	Target met
4.1.2	Number of facilities (Ablution facilities) provided	New facilities provided	2 ablution facilities	2 ablution facilities were build in Town	Target met
4.1.3	Number of facilities	New facilities provided	1 children park	1 park completed at Nordale	Target met
4.1.4	Number of crèches	Education infrastructure	3 crèches	2 crèches build in ward 2	Only 75% done because of financials constrains.
4.1.5	Number of shelters	Upgrade of public markets stalls	4 stalls	Target not achieved	Only two out of 4 completed at Town and Kwamsane Town because of the budget available.
4.1.6	Number of facilities	Upgraded facilities provided	2 halls Mtuba and KwaMsane	Target not met	No budget
4.1.7	Reduction in number complains	Maintenance of verges and public open spaces	Mtuba, Nordale, St.Lucia and KwaMsane	Target met	Verge control was done in all 4 areas.
4.1.8	Cemeteries maintained	Maintained cemetery, administer burial sites and excavation of graves	Grass cutting, provision of additional space	Target met	Grass cutting provision is 100% good.
4.2	Number of facilities	New houses constructed	315 houses Ezwenelisha		
4.3	Percent of operation budget spent	Maintenance of existing infrastructure	Maintenance plane implemented	Target met	Maintenance done at Nordale and St. Lucia.
4.4	Percentage achievement against millstones	Cleanup campaign in Mtuba and KwaMsane	All wards	Target met	Done at Dukuduku,the priority changed from Mtuba and KwaMsane.
4.5.1	Number of	Ensure the functionality of	4 meetings	Local aids	Target met

	meetings	local AIDS council and ward AIDS council		council met more than 4 times.	
4.5.2	Number of workshops	Capacitating local and ward AIDS councils	3 workshops	Target was not met only 2 workshops provided	Budget constrains
4.5.3	Number of meetings	HIV AIDS flagship programme	4 meetings	Target achieved, had 4 workshop	Target achieved
4.5.4	HIV AIDS indaba	HIV AIDS indaba	HIV AIDS indaba	Target was not achieved	Budget constrains
4.6	20 wards visits	Mobile clinic outreach programme	5 wards	Target partially achieved only 5wards visit made	Joint venture with the Department of Health.
4.7.1	Number of meetings	Community safety forum	4 meetings	4 meetings held	Target Achieved
4.7.2	Percentage reduction in specific crime categories	Crime prevention strategy		Strategy not in place	Target not achieved , not in a budget
4.7.3	Monthly crime prevention and safety operations jointly planned	Supporting initiating that ensure safety and security in communities	12 joint operations held by 30/06/2011	Only 2 joint operations held	Target not achieved, not in municipality control
4.8.1	Disaster management plan development	Disaster management plan	Disaster management plan development and adopted by council by 30/06/2011	Disaster management plan has not yet drafted, so Target not achieved	Partnership between Municipality and rural metro was unsuccessful the matter will be attended.
4.8.2	Number of meetings	Disaster management forum	4 meetings	Since there is no strategic planning, municipality failed to perform well on this section	Target was not met because of the plan.
4.8.3	Percentage capacity to disaster	Built capacity for timorous to disaster	100%	Target not met- 0%	Reason mentioned above of the plan is the course of this failure
4.8.4	Municipal assets safety plan	Security plan for municipal assets	100% protection of municipal assets	Finance	
4.8.5	Maintenance of roads signage	Maintenance of roads signage	100% repair of old roads signage	Technical	

			especially in urban areas in Mtubatuba		
4.8.6	Number of speed funds	Speed camera operation management	3600 speed funds	Target not met	Speed camera was purchased but has not been used till now because a trainee is still on course.
4.8.7	Clean safe and healthy environment	Maintenance of parks, verges open spaces	12 reports	Target met	100%
4.8.8	Number of clean up campaigns	Clean up and antilittering campaign	2 cleanup campaign by 30/06/2011	Target met	100%
4.9.1	Rugby sports field alternative plan	Sports programme	Plan for use of facility for benefit of all communities	Target not achieved.	Sport field is on lees by Mtubatuba Ruby club, therefore we had to wait till the expiry period, to take the next decision about it.
4.9.2	Number of games organized	SALGA games	3 games	Target achieved	Well done
4.9.3	Number of games held	Fun run, Mayoral Cup, Ballroom dance, Farm games & indigenous games	4 games	Target achieved	Well done
4.9.4	Facilities upgrade achieved	Sports facilities	Kwamsane PVA completed	Target achieved	Well done
4.9.5	Participation on choral music competition	Unearthing talent in performing arts	District mayoral choral competition	Target not achieved	District Choral Competition did not take place.
4.9.6	Traditional dance festival	Traditional dance	1 festival held by 31/12/11	Target not achieved	Not budgeted for.
4.9.7	Participation in the read dance ceremony	Promoting and supporting moral regeneration	2 read dance ceremonies	Target achieved	Well done
4.9.8	Number of meetings held	Functioning of art and culture Forum	Meetings held by 30/06/2011	Target achieved	4 meetings
4.9.10	New by-laws	Development of by-laws	5 new by laws	Target achieved	More than 5 by-laws developed.
4.10	number	Establish outreach programmes	Coordination of ABET programmes	Target not achieved	No budget
4.11.1	% increase number of patrons	Management of libraries		Target achieved	Well done
4.11.2	Schools outreach	libraries	4 visits	Target achieved	Well done

	programme				
4.11.3	Number of youth assisted with their tertiary education registration	Functioning bursary intervention	30 youth assisted with tertiary registration fees	Target not achieved, only 20 people assisted for tertiary registration fees.	The was partially achieved because of the budget.
4.11.4	Number of capacity building workshops	Youth empowered on leadership, life skills and human rights	4 workshops by 30/06/11	Target not achieved only one workshop provided.	This is because of the budget.
4.11.5	Symposium for unemployed youth	Youth empowerment	1 symposium held by 31/12/10	Target not achieved	Was not budgeted for
4.11.6	Youth day ceremony held	Youth day celebrations	Youth day celebration by 30/06/11	Target not achieved	Was not budgeted for
4.11.6	Youth achievers award ceremony held	Best academic performing youth recognised	Youth achievers ceremony held by 30/01/11	Target achieved	Well done
4.11.7	Number of orphans and vulnerable children identified and supported	Orphans care and support programme	50 children supported by 30/06/11	Target not achieved only 15 orphans got support	This is according to the budget.
4.11.8	16 days of activism campaign	Children's rights awareness campaign	16 days of activism campaign held by 30/09/2010	Target not achieved	Not budgeted for
4.11.9	Number of poor household supported	Social assistance for poverty alleviation	23 households supported	Target not achieved only about 5 household supported	This is according to the budget

Chapter 3

Performance Highlights- Basic Service Delivery and Infrastructure

3.1 BROAD OVERVIEW BY DIRECTOR TECHNICAL SERVICES

The department of Technical Services has seen through another year of basic service delivery to the people of Mtubatuba. Despite the budgetary constraints the department has been able to ensure stable maintenance of existing services and enhance further access to cover backlogs.

3.1.1. Performance highlights for Water and Sanitation

Water and sanitation is the function of the District Municipality as the Local Municipality the municipality is only playing a coordination role. Meetings were held with the District Municipality to handle both the Water and sanitation issues and challenges facing the community. Despite the budgetary constraints faced by the District Municipality, a commitment was made to eliminate all water problems on existing infrastructure by the 30th June 2012.

3.1.2. Performance highlights for Energy/Electricity

Electricity is the function of the District Municipality; however the Municipality holds licence in Mtubatuba town. Through facilitation with Eskom 783 new connections were made in Khula and Ezwenelisha. The Municipality was also able to subsidise 700 indigent households with Free Basic Electricity.

3.1.3. Performance highlights for waste management services

Waste removal service is the function of the Municipality. Waste removal services so some strides during the 2010/11 financial year. During the financial 575 new households got access to waste removal. Even though this was 228 short of the set target, it was a great achievement considering not much upward budget was appropriated for this.

3.1.4. Performance highlights for roads and storm water

The Municipality is responsible for the construction and maintenance of all local roads. The Municipality was successful in discharging this responsibility through inter alia the following;

- Tarring of 3km of road,
- Establishment of 3.5km of road in KwaMsane township,
- Purchasing of a motor grader by the Municipality.
- Using the municipal grader access roads in all wards was graded.

3.4.5. Performance highlights for Planning and developments

The Planning function of the Municipality has been responsible for all the spatial and strategic planning matters of the Municipality throughout the financial year. During the year 2010/11 the Spatial Development Framework was approved by the council, being a clear blue print for physical development within the Municipality. The department has ensure that land scheme and building regulations are enforced

3.2 KEY CHALLENGES

The main challenge facing the department is that despite this department being a core department, serious capacity constraints are experienced. This leads to reliance on consultants who possess a lot of organisational memory.

3.3 KPA ACHIEVEMENT REPORT

Below is the detailed annual performance report for the department;

Key performance indicator (KPI)		Baseline	Target	Actual	Explanation of variance/Comments
KPE 2 Basic Service Delivery and Infrastructure Investment					
3.1	Number of household	Households with access to basic water	Improve access from 10523 to 11316 by DC 27	Target achieved	10523 DC27 upgraded purification plant at Mfolozi River and Upgrade main line to Dukuduku and construct Reservoirs at Monzi entrance.
3.2	Number of new connections	New water connections	Monitoring access by 913 households requiring water connections	Target not achieved	No connecting has been done
3.3	Number of households	Households with access to basic sanitations	Monitoring the improvement of access from 8959 to 9972 households requiring access to sanitation	Target not achieved	No Funding from the UMkhanyakude District Municipality
3.4	Number of new connections	New sanitation in connections	Monitoring progress on the 793 new connections required	Target not achieved	No Funding from the UMkhanyakude District Municipality
3.4.1	Number of meetings with reports on sanitation with DC 27	Meetings held with DC 27 on water and sanitation issues	4 meetings	04	Target achieved
3.4.2	Written letter and copy of decision schedule of site visits taken verification of monthly reports by technical	Coordinate repairs of water leaks, water matters, upgrade of water works, formalization of illegal connections and access to water Ezwenelisha/Indlovu/Khula Village with DC 27	100% compliance and 90% of what communities having access to water	Target not achieved	DC 27 have problem of cash flow at the moment.

	portfolio committee				
3.5.1	Number of households	Households with access to electricity	Monitor the improvement of access from 9413 households to 10206 households	Target achieved	10206 New Connection at Khula & Ezwenelisha
3.5.2	Number of new connections	New electrical connections	Monitoring progress on the 793 new connections required	Target achieved	793 New Connection at Khula & Ezwenelisha
3.5.3	Number of meetings held that where initiated by Mtubatuba	Municipal initiated meetings with Eskom and DC 27 on electricity issue by Mtubatuba	4 meetings to be initiated and held with Eskom and DC 27	Target not achieved	02 meetings
3.6.1	Number of households	Households with access to waste disposal services	Increase access from 4200 to 4993 households	Only 4775 households got service	Although target was not met but a lot of work done.
3.6.2	Cubic meters of waste processed	Management of land sites	Increase waste processed from 26270 m3 to 28266,8 m3	Target not achieved.	It is very difficult to achieve this target since we have no proper management tool in place.
3.6.3	Number of bins provided	Improve efficiency of waste removal	2000 skip bins	Target not achieved only ten are available	This was a very high goal achieve.
3.7	Number of households	Coordinate with DC 27 on households with access to free basic water	Coordinates with DC 27 for 6786 households to access free basic water	Target not achieved	No proper statistics from District.
3.8	Number of households	Households with access to free basic sanitation	700 households	Target not achieved	
3.9	Number of households	Coordinates with DC 27 and Eskom on households with access to free electricity	Coordinates with DC 27 and Eskom for 700 households with access to free basic electricity	700	Target achieved
3.10.1	Number of kilometres	Kilometres of tarred roads established	3 km Inkosi Mtuba+ KwaMsane	Target achieved	3km Inkosi Mtubatuba, Jacaranda Avenue and John Ross
3.10.2	Number of km	Kilometres of gravel road established	3,5 km KwaMsane	Target not achieved	Construction in progress
3.10.3	Number of speed	Traffic safety	10 speed humps in	Target not achieved	Budget constrain

	humps constructed		St.Lucia road by 30/3/2011		
3.10.4	Purchase of motor grader	Construction of new, upgrade and maintenance of gravel roads	1 motor grader purchased by 30/12/2010	Target achieved	One motor grader purchased
3.10.5	Number of kilometres	Kilometres of roads maintained	4 quarterly reports by 30/06/2011	Target achieved	All Wards has been maintained.
3.11.1	Date of approval	Special development frame work	30/04/2011	Target achieved	Approved with IDP on 08/07/2011
3.11.2	Turnaround time	Environmental management plan		Target achieved	This is District Function and they are currently busy with the EMP.
3..11.3	Compliance	Implement the land used skill and effective building control	60%	Target achieved	Enforce town planning schemes, approve building plans and building inspectorate.
3.11.4	Date of approval	LUMS	30/04/2011	Target achieved	Draft approved July 2009. CURRENTLY BUSY changing legal state of LUMS AS PER KZN PDA.

Chapter 4

Performance Highlights- Municipal Transformation and Institutional Development

4.1. BROAD OVERVIEW AND PERFORMANCE HIGHLIGHTS BY DIRECTOR CORPORATE SERVICES

During the 2010/11 financial year, the Municipality maintained its focus on rendering the Integrated Development Plan and Budget more accessible and people centred. The continued focus on ward-based planning and public consultation processes ensured that strategic planning and integration were further enhanced.

The Municipality has a functional Performance Management System in place. Performance agreements for the Municipal Manager and all Section 57 employees were concluded during the review period in line with the requirements of the Performance Management Regulations for Municipal Managers and Managers and the MFMA National Treasury Regulations on Minimum Competencies. Still in a process of cascading of performance management to lower level employee

A Workplace Skills Plan was developed and submitted to LGSETA on 30 June 2011. Good progress has been made with the implementation of MFMA Regulations on Minimum Competencies within set timelines. Due to financial constraints the municipality approached DBSA to assist towards meeting the National Treasury competency requirement hence the 05 candidates will be enrolled for MFMP in 2011/2012.

To improve the managerial and leadership skills of senior officials and Councillors, a management development programme (ELMDP) was developed and successfully implemented. The implementation of the adopted Employment Equity Plan is underway hence 10 employees were sent for training and other employees were identified for promotion. Appointments made, are done in line with Employment Equity targets.

A functional Local Labour Forum is in place. A Local Labour Forum was consulted and workshopped on HR Policies.

4.2. KEY CHALLENGES

- (a) Absence of a long-term shared vision and long-term plan.
- (b) Absence of a framework for delegation of authority.
- (c) Political instability and officials' political affiliation, which paralysed municipal operations.
- (d) Performance management not cascaded down to all levels.
- (e) Lack of competency based skills development in the institution.
- (f) Lack of integrated government-wide planning.
- (g) High vacancy rate.
- (h) Issue of office space shortage
- (i) Achieving sound labour relations in the institution.

- (j) Harmonisation of the conditions of service.
- (k) Sporadic incidents of non-adherence to corporate governance.
- (l) Absence of full-time Municipal Manager, (Having Acting MM) hinders accountability.

4.3. KPA ACHIEVEMENT REPORT

Key performance indicator (KPI)		Baseline	Target	Actual	Explanation of variance/Comments
KPE 5 Municipal Transformation and Institutional Development					
4.1	Date	Approved organ gram	Approve organ gram for 2010-11 and reviewed organ gram for 2011-12	2009/2010 was approved on 26/08/2009 and for 11/12 Organisational structure was approved by Council July 2011	Target was achieved
4.2	Number of black staff	Level of black staff employed in management	11	11 black employees were employed	Target was achieved
4.3		Youth employed in the Municipality	To be determined after finalisation of staff transfer from KZN 274	05 youth was absorbed during the staff transfer from KZ274	Target was achieved
4.4	Number of staff	Disabled staff employed by the municipality	1	Target was not achieved	The nature of posts that were to be filled in the year under review were not accommodating disabled people
4.5	Reviewed EE plan	Review of employment equity plan	Approved reviewed plan submitted to DoL by 01/10/2011	EEP not reviewed	The EEP was not reviewed since the target that were set initially were not met
4.6	WSP	Annual Approved workplace skills plan	Approved wsp submitted to DoL by 30	WSP for 2009/2010 was submitted to LGSETA	Target achieved
4.7	No. Of students getting experiential training	Development of trainee students	2 students per department	18 In-service trainees were offered experiential learning	Target achieved
4.8.1	Training programmes implemented	Training of staff according to WSP	Planned CMPD, OHS, project Management, Governance, ABET, Roads and storm water supervisory	Employees trained on Roads & storm water, supervisory skills	Target achieved

			skills		
4.8.2	Percentage spent	Budget spent on work place skills plan	1% of payroll	R150 000 budget allocated for trainings was spent	Target achieved
4.9	Retention strategy implemented	HRD and retention strategy	Implementation of training and accommodation components of strategy	Learner-ships were implemented as part of employee retention and accommodation provided to critical positions (Traffic)	Target achieved
4.10	Impact report	EAP programme	Bonitus for VCT, and NJMPF and GEPP for financial planning 30/03/2011	VCT and financial advice was provided to staff	Target achieved
4.11	Medical examination of staff exposed to hazardous conditions	Procurement of services of a medical doctor	Quarterly medical examinations	Target not achieved however new employees joining NJMPF were sent for pre-medical screening as part of fund requirement	Could materialise due to financial constraints
4.12	Protective clothing supplied to staff	Procurement of staff uniform and proactive clothing	Protective clothing and staff uniform to qualifying staff by 30/09/2011	Protective Clothing was provided to all relevant staff and administrative staff were provided with uniform	Target achieved
4.13	End of year function	Encourage team spirit & good working relations with Cllrs and staff	Organize a successful end of the year function by 20 December 2010	Year-end function was held in December 2010	Target achieved
4.14.1	Average time spent between tabling an item and taking a decision	Ensure internal decision making process are efficient and effective	Improve time from 24 to 30 minutes to between 15 to 20 minutes	Target not met	No control measure over Council
4.14.2	Agenda items, minutes and documentation circulated		Improve from an average 4 days council and 3 days Exco	Partly met, still trying to improve the standard	Late submission of items to Committee Section causes delay in the finalisation of the agenda

	timorously for approval by council/Exco		to 7 days for council/Exco		
4.14.3	Number of standing council meetings		4 council meetings	Target met	Due to frequent Special meetings, Council took a resolution to meet monthly
4.14.4	Percentage attendance of councillors at meeting		100%	98% achieved	No control
4.14.5	Number of Exco meetings		monthly		Target achieved
4.14.6	Number of portfolio committee meetings		Monthly portfolio committee meetings	Portfolio meetings were held during the year under review	70% of the target was achieved
4.14.7	Number of portfolio committee oversight reports		Quarterly departmental performance oversight reports	Target not met	The Committee was not functioning well
4.14.8	Date completed	Restructuring of the committees of council		No restructuring	It is vested in the politicians
4.14.9	Date of training	Training and capacitating of councillors	2 councillors to successfully complete ELMDP by 31/08/2010	Funding was sourced from LGSETA to train 02 Councillors on ELMDP	Target met
4.15.1	Number of meetings	MANCO meetings	MANCO meetings' Minutes held bi/monthly	MANCO meetings were held monthly	Target achieved
4.15.2	Number of meetings	Meetings in each departments	At least monthly meetings by each department		
4.15.3	Number of staff meetings	General staff meeting	Quarterly staff meeting		
4.16	%	Secretariat services to council, committees, MANCO	100% services to all MANCO, council committees meetings	Secretariat provided to all council, EXCO and Portfolio meetings	Target acheived
4.17	Date completed	Review of delegations	Reviewed delegations by 30/12/2011	Delegations were removed from Management to the Mayor	Target not met
4.18.1	%	Address back locks in disciplinary cases	100%	No pending disciplinary cases	Target met

4.18.2	Number of meetings	Number of meetings with LLF	Quarterly meetings with LLF	Quarterly LLF meetings were held	Target achieved
4.19.1	Surveys conducted	Improved customer services	1 survey conducted by 30/12/2010	A complaints register was developed and there was also a questionnaire distributed to all satellite offices	Target achieved
4.19.2	Number of staff trained	Training of staff on customer services	40 general workers and their supervisors trained on customer services	Staff was trained on Customer services by	Target achieved
4.20	Signed performance agreements	Section 57 performance agreements	Signed performance plans and performance agreements	All section 56/57 employees signed performance agreements	Target achieved
4.21.1	Quarterly performance	Quarterly performance report	Quarterly performance report completed		
4.21.2	Reports		Within 5 days after the end of each quarter with POE		
4.22.1	Departmental operational plan	Departmental operational plan identifying performance targets for individuals	Departmental operational plan	Departmental operational Plan was submitted to Municipal Manager	Target achieved
4.22.2	Reviewed IDP for 2011/12	To prepare a credible IDP	By 30/04/2011		
4.22.3	All sector plans included in IDP	To ensure that all sector plans are included in the IDP	By 30/04/2011		
4.22.4	Participation by all sectors	To ensure participation of other sector departments in our IDP processes and meetings	100% participation		

4.4. INSTITUTIONAL RECOVERY PLANS

The management will do the following ensure the recovery back to normal institutional operation;

- (a) Review of the institution's Turnaround Strategy, which sets the Municipality on

- (b) a new inclusive development path.
- (c) Development of a long-term shared vision and plan for Mtubatuba Municipality.
- (d) Cascading of performance management to lower levels of employees.
- (e) Pursuance of greater cohesion, integration and co-ordination internally as well
- (f) as with other spheres of government.
- (g) Development of an integrated Human Resources Plan in consultation with all
- (h) directorates and stakeholders.
- (i) Identification and institutionalization of a shared organisational culture that
- (j) promotes good governance, operational efficiency and performance excellence.
- (k) Creating a conducive environment for labour peace and harmony.

4.5. ADDITIONAL INFORMATION ON INSTITUTIONAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

4.5.1. Presentation of the organisational structure

For the organisational structure, please see Annexure A The Municipality has a workforce of 162 employees.

4.5.2. Staff development initiatives during the financial year

A total number of employees were trained in different learning areas during the 2010/11 financial year in terms of the Workplace Skills Plan submitted to LGSETA on 30 June 2009. This forms part of the Municipality's Human Resources Development Plan.

Furthermore, during the 2010/11 financial year, 18 unemployed graduates requiring experiential training students received training in various fields within the municipality.

In addition, unemployed matriculants were awarded bursaries in scarce and critical skills. Altogether 06 unemployed and disabled persons participated in various Learner ship Programmes. In addition, 01 employee has enrolled in Local Government Certificate learner ships.

4.5.3. Senior officials' emoluments

Remuneration of chief finance officer

Annual Remuneration	409,013
Car Allowance	133,923
Cellphone Allowance	16,500
Other	84,536
	<hr/>
	643,972

Corporate and human resources (corporate services)

Annual Remuneration	466,613
Car Allowance	154,805
Cellphone Allowance	18,000
	<hr/>
	639,418

Community Services

Annual Remuneration	473,493
Car Allowance	154,805
Cellphone Allowance	18,000
Other	90,880
	<hr/>
	737,178

Technical Services

Annual Remuneration	466,613
Car Allowance	154,803
Cellphone Allowance	18,000
	<hr/>
	639,416

Chapter 5

Financial Report

5.1. REPORT BY THE CHIEF FINANCIAL OFFICER

5.2. AUDITED ANNUAL FINANCIAL STATEMENTS

AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND COUNCIL ON MTUBATUBA MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Mtubatuba Municipality, which comprise the statement of financial position as at 30 June 2011, the statement of financial performance, cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information, and the accounting officer's as set out on pages 1 to 36.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2010 (Act No. 1 of 2010) (DORA) and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice No. 1111 of 2010* issued in *Government Gazette No. 33872 of 15 December 2010*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Mtubatuba Municipality as at 30 June 2011, and its financial performance and cash flows for the year then ended in accordance with the Standards of GRAP and the requirements of the MFMA and DORA.

Emphasis of matters

I draw attention to the matters below. My opinion is not modified in respect of these matters:

Going concern

8. Note 27 to the financial statements indicates that the Mtubatuba Municipality incurred a net loss of R12,766 million during the year ended 30 June 2011 and, as of that date, the municipality's current liabilities exceeded its current assets by R8,383 million. Furthermore, a number of creditors were not paid within the stipulated 30 days with conditional grant funding being utilised for daily operating expenditure as a result of cash flow problems, as disclosed in note 32 to the financial statements.

Irregular expenditure

9. As disclosed in note 32 to the financial statements the municipality incurred irregular expenditure of R6,706 in contravention of DORA where grant funding was used for daily operating expenditure and goods and services were procured suppliers whose members were in the service of the state, contrary to paragraph 44 of the Municipal Supply Chain Management (SCM) Regulations.

Additional matters

I draw attention to the matter below. My opinion is not modified in respect of this matter:

Unaudited supplementary schedules

10. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

11. In accordance with the PAA and in terms of *General Notice No. 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I include below my findings on the annual performance report and material non-compliance with laws and regulations applicable to the Mtubatuba Municipality.

Predetermined objectives

12. We could not conduct the audit of performance against predetermined objectives as the

municipality did not submit the annual performance report as required by part C of *General Notice No. 1111 of 2010*, issued in *Government Gazette No. 33872 of 15 December 2010*.

Compliance with laws and regulations

Annual financial statements

13. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of cash flow statement, expenditure and disclosure items identified by the auditors were subsequently corrected resulting in the financial statements receiving an unqualified audit opinion.

Annual performance report

14. The performance report for the financial year under review was not prepared as required by section 46 of the Local Government: Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA) and section 121 (3) (c) of the MFMA.

Expenditure management

15. Management of expenditure was not in accordance with section 65 (2) (e) of the MFMA as payments totalling R2,5 million were not made within 30 days of receipt of the invoices.

Audit committee

16. An audit committee although in place for the year was not effective as required by section 62 of the MFMA, with no review being performed of the annual financial statements prior to submission for auditing purposes.

Irregular expenditure

17. The accounting officer did not take reasonable steps to prevent irregular expenditure, as required by section 61 (1) (d) of the MFMA.

Procurement and contract management

18. Awards were made to providers whose directors / principal shareholders are persons in service of other state institutions in contravention of the SCM regulations, paragraph 44. Furthermore, the provider failed to declare that they were in the service of the state as required by SCM regulation 13 (C).

INTERNAL CONTROL

19. In accordance with the PAA and in terms of *General Notice No. 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the findings on the annual performance report and the findings on compliance with laws and regulations included in this report

Leadership

20. Management had not exercised oversight responsibility regarding financial and performance reporting and compliance with laws and regulations.

Financial and performance management

21. Management had not implemented proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and readily available to support financial and performance reporting.
22. Management had not prepared regular, accurate and complete financial and performance reports that were supported and evidenced by reliable information.
23. Management had not reviewed and monitored compliance with applicable laws and regulations.

Governance

24. Management did not ensure that the audit committee promoted accountability and service delivery through evaluating and monitoring responses to risks and providing oversight of the effectiveness of the internal control environment including financial and performance reporting and compliance with laws and regulations.
26. Internal audit did not review all the quarterly reports and final performance information report to ensure that they were in compliance with the relevant laws and regulations.

Pietermaritzburg
30 November 2011



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

General Information

Legal form of entity	Municipality	
Executive committee	After elections	Before elections
Mayor	MM Davies	ME Mkhwanazi
Deputy Mayor	SC Mkhwanazi	CN Banda
Speaker	IF Nyawo	SS Masuku
Member	DR Ntuli	MM Davies
Member	SJ Khoza	
Member	SH Mthethwa	
Member	ZE Nyawo	
Member	MQ Mkwanazi	
Other Council Members of the Mtubatuba Municipality	NA Dhlamini	HG Mbhele
	AS Khumalo	JJ Combrick
	MZ Shobede	TM Mbuyazi
	LG Mkhwanazi	TT Maphanga
	SJ Shezi	VM Ncube
	BR Mandla	
	CT Buthelezi	
	LX Mkhwanazi	
	PV Ntshalintshali	
	SR Khumalo	
	ZW Matonsi	
	EK Magwaza	
	TM Mbuyazi	
	KP Tembe	
	T Ndlovu	
	RB Msomi	
	SD Manqele	
	KI Kheswa	
	ML Mfekayi	
	MA Gina	
	DL Gumbi	
	ML Mthethwa	
	DLG Bhikili	
	VC Mkhwanazi	
	AN Khoza	
	T Mnguni	
	PK Msweli	
	TT Maphanga	
	SS Ncube	
	FM Mathe	

Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

General Information

Grading of local authority	Grade 3
Acting Municipal Manager	Mr NT Dlodla
Chief Finance Officer (CFO)	Mr NT Dlodla
Accounting Officer	Mr NT Dlodla
Registered office	Lot 105 Inkosi Mtubatuba Road Mtubatuba 3935
Postal address	P.O Box 52 Mtubatuba 3935
Bankers	First National Bank Mtubatuba 3935
Auditors	Auditor General South Africa Redlands Estate, 1 Goerge MacFarlane Lane Wmbley Pietermaritzburg 3201
Attorneys	Scheepers Spies Mdaka Attorneys Group Floor Lot 47 Jan Smut Avenue P.O. Box 31 Mtubatuba 3935 A.P. Shangase & Associates 5th Floor, 397 Smith Street Durban P.O. Box 49139 Qualbert 4078

Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Index	Page
Accounting Officer's Report	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash flow statement	8
Accounting Policies	9 - 18
Notes to the Annual Financial Statements	19 - 36

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

Accounting Officer's Report

In terms of Municipal Finance Management Act (Act 56 of 2003), I am required to maintain adequate accounting records and responsible for the content and integrity of the annual financial statements and related financial information included in this report.

It is my responsibility to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. Auditor General has the constitutional mandate to provide public confidence through expression of an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP). The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I acknowledge that I am ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. We have sets of standards for internal control aimed at reducing the risk in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

I am of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

I have reviewed the municipality's cash flow forecast for the year to 30 June 2012 and, in the light of this review and the current financial position, I am satisfied that the municipality has or has access to adequate resources to continue its operational existence for the foreseeable future.

The municipality is to a large extent dependent on the National Government Grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern.

The annual financial statements set out on pages 4 to 36, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August, 2011 and were signed on its behalf by:

Mr NT Dlodla
Accounting Officer

Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

Statement of Financial Performance

Figures in Rand	Note(s)	2011	2010
Revenue			
Property rates	15	13,423,557	12,436,410
Service charges	16	4,618,664	3,291,444
Property rates - penalties imposed and collection charges		2,167,554	1,799,202
Rental of facilities and equipment		269,818	226,717
Fines		198,792	188,682
Licences and permits		2,437,854	2,295,742
Government grants & subsidies	17	35,586,020	22,075,263
Other income		899,568	985,658
Interest received - investment	23	199,647	183,216
Total Revenue		59,801,474	43,482,334
Expenditure			
Personnel	20	(20,066,970)	(17,416,504)
Remuneration of councillors	21	(2,464,991)	(1,993,427)
Depreciation and amortisation	24	(5,707,574)	(5,317,850)
Finance costs	25	(826,181)	(508,809)
Debt impairment	22	(8,417,187)	(3,710,052)
Repairs and maintenance		(5,228,552)	(2,787,440)
Contracted services		(2,835,850)	(1,169,216)
Grants and subsidies paid		(9,453,066)	(4,378,805)
General Expenses	19	(17,531,409)	(8,324,675)
Total Expenditure		(72,531,780)	(45,606,778)
Deficit for the year		(12,730,306)	(2,124,444)

Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

Statement of Changes in Net Assets

	Fair value adjustment assets- available-for- sale reserve	Accumulated surplus	Total net assets
Figures in Rand			
Opening balance as previously reported		27,547,038	27,547,038
Adjustments			
Change in accounting policy		47,128,909	47,128,909
Balance at 01 July, 2009 as restated		74,675,947	74,675,947
Changes in net assets			
Surplus on fair value revaluation of land	21,348,026		21,348,026
Net income (losses) recognised directly in net assets	21,348,026		21,348,026
Surplus for the year		(2,124,444)	(2,124,444)
Balance	21,348,026	(2,124,444)	19,223,582
Total changes	21,348,026	(2,124,444)	19,223,582
Opening balance as previously reported	21,348,026	72,551,504	93,899,530
Adjustments			
Change in accounting policy		21,489,588	21,489,588
Balance at 01 July, 2010 as restated	21,348,026	94,041,092	115,389,118
Changes in net assets			
Loss for the year		(12,730,306)	(12,730,306)
Total changes		(12,730,306)	(12,730,306)
Balance at 30 June, 2011	21,348,026	81,310,786	102,658,812

Note(s)

Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

Cash flow statement

Figures in Rand	Note(s)	2011	2010
Cash flows from operating activities			
Receipts			
Cash Receipts from Ratepayers, Government and Other		43,792,370	42,241,458
Interest income		199,647	183,216
		<u>43,992,017</u>	<u>42,424,674</u>
Payments			
Employee costs		(17,439,206)	(17,399,886)
Suppliers		(17,870,339)	(17,299,642)
Finance costs		(215,073)	(260,281)
Other payments		(496,841)	(196,141)
		<u>(36,021,459)</u>	<u>(35,155,950)</u>
Net cash flows from operating activities	27	<u>7,970,558</u>	<u>7,268,724</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(17,543,578)	(7,301,110)
Purchase of other intangible assets	4	(19,250)	(612,337)
Net cash flows from investing activities		<u>(17,562,828)</u>	<u>(7,913,447)</u>
Cash flows from financing activities			
Repayment of long term liabilities		(271,338)	(285,163)
Finance lease payments		2,180,864	445,834
Other cash item		-	1,604,581
Net cash flows from financing activities		<u>1,909,526</u>	<u>1,765,252</u>
Net increase/(decrease) in cash and cash equivalents		<u>(7,682,744)</u>	<u>1,120,529</u>
Cash and cash equivalents at the beginning of the year		2,876,580	1,756,051
Cash and cash equivalents at the end of the year	9	<u>(4,806,164)</u>	<u>2,876,580</u>

Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GAMAP 9	Paragraphs relating to Revenue from Non-Exchange Transactions
GRAP 100	Non-Current Assets Held for Sale and Discontinued Operations
GRAP 102	Intangible Assets
IPSAS 20	Related Party Disclosure
IPSAS 21	Impairment of Non Cash-Generating Assets
IFRS 3	Business Combinations
IFRS 7	Financial Instruments: Disclosures
IAS 19	Employee Benefits
IAS 32	Financial Instruments: Presentation
IAS 36	Impairment of Assets
IAS 39	Financial Instruments: Recognition and Measurement

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued March 2005

GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008

GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007

GRAP 103 Heritage Assets - issued July 2008

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

"The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

IAS 19 Employee Benefits - effective 1 January 2009

IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009

Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

Accounting Policies

IAS 39 Financial Instruments: Recognition and Measurement - portions of standard effective 1 July 2009

Management has considered all the of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

1.1 Investment property

Cost model

Recognition

Investment property shall be recognised as asset when and only when:

- when it is probable that future economic benefits associated with the investment property will flow to the Municipality, and
- the cost of the investment property can be measured reliably

Investment Property includes only land which is held for capital appreciation.

Initial measurement

Investment property is initially recognised at cost when it meets the definition of the investment property, however where the Investment property is acquired through non exchange transaction (i.e. where investment property is acquired for no or nominal value) its cost is its fair value as at the date of acquisition

The cost of a self-constructed investment property comprises of a cost at the date when the construction or development is complete.

Subsequent Measurement: Fair Value Model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gains or losses on the change of its fair value; retirement or disposal of an investment property are recognised in the surplus or deficit for the period in which it occurs.

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gains or losses on the change of its fair value; retirement or disposal of an investment property are recognised in the surplus or deficit for the period in which it occurs.

1.2 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of

Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

Accounting Policies

1.2 Property, plant and equipment (continued)

property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Infrastructure	
• Roads and paving	15-20
• Pedestrian malls	30
• Electricity	20-30
• Water	15-20
• Sewage	15-20
• Housing	30
• Landfill sites	15
Community	
• Improvement	30
• Recreational Facilities	20-30
• Security	5
Other property, plant and equipment	
• Building	30
• Specialist vehicles	5-20
• Other Vehicle	5-10
• Office Equipment	3-7
• Furniture and Fittings	7-10
• Watercraft	15
• Bins and Containers	5
• Specialised Plant and Equipment	10-15
• Other Items of Plant and Equipment	2-5

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

Accounting Policies

1.2 Property, plant and equipment (continued)

Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives.

Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not included in revenue.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

Impairment of Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

Accounting Policies

1.3 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	Indefinite

1.4 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Loans and receivables

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

Accounting Policies

1.4 Financial instruments (continued)

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Trade receivables, consumer debtors and other receivables

Trade receivables, consumer debtors and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade receivables, consumer debtors and other receivables are classified as loans and receivables.

Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

Accounting Policies

1.4 Financial instruments (continued)

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

1.6 Assets held for sale

Initial recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Subsequent measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell. A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.7 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase

Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

Accounting Policies

1.7 Employee benefits (continued)

their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.8 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 29.

Environmental Rehabilitation Provision

Estimated long term environmental provision comprising rehabilitation and landfill site closure are based, on the entity's policy, taking into account environmental and regulatory requirements.

The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of the asset. Any subsequent changes to the obligation that did not relate to the initial related assets are charged to the statement of financial performance.

1.9 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

Accounting Policies

1.9 Revenue from exchange transactions (continued)

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

1.10 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.11 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.12 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.13 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA and section 102 MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including

-
- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

Accounting Policies

1.14 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.15 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

Notes to the Annual Financial Statements

Figures in Rand

2. Investment property

	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	25,684,000	-	25,684,000	-	-	-

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

3. Property, plant and equipment

	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	23,370,475	-	23,370,475	23,355,475	-	23,355,475
Buildings	10,269,778	(5,647,001)	4,622,777	10,107,025	(5,499,791)	4,607,234
Infrastructure - Roads	93,531,900	(85,029,000)	8,502,900	93,531,900	(82,194,700)	11,337,200
Street Lighting	25,076	(3,313)	21,763	25,076	(2,366)	22,710
Community Assets	42,384,500	(11,395,669)	30,988,831	42,384,500	(10,096,808)	32,287,692
Plant and Equipment	693,918	(407,731)	286,187	606,610	(229,819)	376,791
Motor Vehicles	4,125,568	(483,494)	3,642,074	1,258,343	(149,803)	1,108,540
Furniture and Fixtures	2,195,133	(1,109,471)	1,085,662	1,740,912	(546,734)	1,194,178
Office Equipment	1,458,227	(907,905)	550,322	899,156	(434,746)	464,410
Heritage Assets	1,020,835	(350,001)	670,834	875,001	(175,000)	700,001
Security Measures	171,009	(97,506)	73,503	171,009	(70,115)	100,894
Water Tanks	29,890	(7,238)	22,652	29,890	(5,744)	24,146
Bins and Containers	351,067	(9,212)	341,855	666	(389)	277
Capital Work In Progress	15,090,998	-	15,090,998	1,481,027	-	1,481,027
Leased Assets	2,305,189	(1,263,521)	1,041,668	2,047,682	(631,761)	1,415,921
Total	197,023,563	(106,711,062)	90,312,501	178,514,272	(100,037,776)	78,476,496

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Depreciation	Total
Land	23,355,475	15,000	-	23,370,475
Buildings	4,607,234	162,753	(147,210)	4,622,777
Infrastructure - Roads	11,337,200	-	(2,834,300)	8,502,900
Street Lighting	22,710	-	(947)	21,763
Community Assets	32,287,692	-	(1,298,861)	30,988,831
Plant and Equipment	376,791	5,800	(96,404)	286,187
Motor Vehicles	1,108,540	2,867,225	(333,691)	3,642,074
Furniture and Fixtures	1,194,178	117,819	(226,335)	1,085,662
Office Equipment	464,410	308,873	(222,961)	550,322
Heritage Assets	700,001	-	(29,167)	670,834
Security Measures	100,894	-	(27,391)	73,503
Water Tanks	24,146	-	(1,494)	22,652
Bins and Containers	277	350,400	(8,822)	341,855
Capital work in progress	1,481,027	13,609,971	-	15,090,998
Leased Assets	1,415,921	105,737	(479,990)	1,041,668
Total	78,476,496	17,543,578	(5,707,573)	90,312,501

Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
-----------------	------	------

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Disposals	Accumulated depreciation	Depreciation	Total
Land	24,565,475	-	(1,210,000)	-	-	23,355,475
Buildings	10,107,025	-	-	(5,352,581)	(147,210)	4,607,234
Infrastructure - Roads	93,531,900	-	-	(79,360,400)	(2,834,300)	11,337,200
Street Lighting	25,074	-	-	(1,419)	(945)	22,710
Community Assets	42,384,500	-	-	(8,797,947)	(1,298,861)	32,287,692
Plant and Equipment	586,350	20,260	-	(127,401)	(102,418)	376,791
Motor Vehicles	-	1,258,343	-	-	(149,803)	1,108,540
Furniture and Fixtures	1,264,614	476,298	-	(336,403)	(210,331)	1,194,178
Office Equipment	796,365	102,791	-	(250,199)	(184,547)	464,410
Heritage Assets	875,001	-	-	(145,833)	(29,167)	700,001
Security Measures	148,209	22,800	-	(43,864)	(26,251)	100,894
Water Tanks	29,890	-	-	(4,249)	(1,495)	24,146
Bins and Containers	621	45	-	(231)	(158)	277
Capital Work In Progress	-	1,481,027	-	-	-	1,481,027
Leased Assets	773,323	1,274,358	-	(299,396)	(332,364)	1,415,921
	175,088,347	4,635,922	(1,210,000)	(94,719,923)	(5,317,850)	78,476,496

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

4. Intangible assets

	2011			2010		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	631,587	-	631,587	612,337	-	612,337

5. Assets held for sale

Unsold Properties Held for Resale	22,558,049	22,558,049
Transferred from non-current assets	1,210,023	1,210,023
Fair value	21,348,026	21,348,026
	22,558,049	22,558,049

6. Trade and other receivables from exchange transactions

Fuel Deposits	27,000	27,000
Eskom deposits	79,580	79,580
Other Receivables	2,162,773	-
	2,269,353	106,580

Other Receivables

Municipal Infrastructure Grant	2,162,773	-
--------------------------------	-----------	---

Other Receivables is a reclassification from Municipal Infrastructure Grant unspent grants, note 12.

Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010	
7. VAT receivable			
VAT	2,667,728	957,967	
Opening Balance	957,967	3,071,830	
Add: Returns submitted	2,866,917	1,800,492	
Less: Refunds	(1,720,345)	(4,026,882)	
Add : Unclaimed VAT at year end	563,189	112,527	
	2,667,728	957,967	
8. Consumer debtors			
Gross balances			
Rates	27,268,472	25,238,440	
Refuse	4,968,874	4,414,353	
St Lucia Security	813,216	744,551	
	33,050,562	30,397,344	
Less: Provision for debt impairment			
Rates	(23,323,683)	(15,568,236)	
Refuse	(2,489,018)	(1,929,756)	
St Lucia Security	(413,288)	(310,810)	
	(26,225,989)	(17,808,802)	
Net balance			
Rates	3,944,789	9,670,204	
Refuse	2,479,856	2,484,597	
Other (specify)	399,928	433,741	
	6,824,573	12,588,542	
2011	Consumers	Industrial / Commercial	National and Provisional Government
Current	248,624	264,549	826,120
31-61 days	296,546	516,152	2,468
61-90 days	211,702	334,580	5,374
91 and more days	25,484,382	2,678,230	2,181,835
	26,241,254	3,793,511	3,015,797
2010	Consumers	Industrial / Commercial	National and Provisional Government
Current	237,740	396,779	779,300
31-60 Days	277,208	499,240	1,953
61-90 Days	287,478	394,022	1,925
91 and more	23,941,802	2,491,564	1,088,333
	24,744,228	3,781,605	1,871,511

Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
8. Consumer debtors (continued)		
Rates		
Current (0 -30 days)	886,428	1,104,082
31 - 60 days	631,865	644,268
61 - 90 days	443,090	569,929
91 - 120 days	548,324	669,047
121 - 365 days	1,435,082	6,682,878
	3,944,789	9,670,204
Refuse		
Current (0 -30 days)	308,012	202,848
31 - 60 days	154,767	114,773
61 - 90 days	86,733	97,116
91 - 120 days	117,923	119,187
121 - 365 days	1,812,421	1,950,673
	2,479,856	2,484,597
St Lucia Security		
Current (0 -30 days)	144,853	106,889
31 - 60 days	28,534	19,358
61 - 90 days	21,833	16,380
91 - 120 days	32,787	20,103
121 - 365 days	171,921	271,011
	399,928	433,741
Reconciliation of debt impairment provision		
Balance at beginning of the year	(17,808,802)	(14,098,750)
Contributions to provision	(8,417,187)	(3,710,052)
	(26,225,989)	(17,808,802)
9. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	3,575	5,000
Bank balances	-	449,759
Short-term deposits	302,334	2,424,148
Bank overdraft	(5,112,073)	(2,327)
	(4,806,164)	2,876,580
Current assets	305,909	2,878,907
Current liabilities	(5,112,073)	(2,327)
	(4,806,164)	2,876,580

Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
-----------------	------	------

9. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June, 2011	30 June, 2010	30 June, 2009	30 June, 2011	30 June, 2010	30 June, 2009
First National Bank (Primary Bank Account)-53093735184	(3,881,406)	3,154,959	(1,727,416)	(5,112,073)	449,759	(1,730,688)
First National Bank(Mtubatuba Low Cost)-62050462606	46	5,561	644,495	46	5,561	644,495
First National Bank(Dukuduku Low cost)-62050465858	14,958	70,107	563,854	14,958	70,107	563,854
First National Bank(Call Deposit)-62032346703	8,024	310,478	1,971,892	8,024	310,478	1,971,892
First National Bank (Money Market)-62122552856	80,899	1,846,402	110,898	80,899	1,846,402	110,898
First National Bank(Eskom Deposit)-71044025057	191,600	191,600	191,600	191,600	191,600	191,600
First National Bank(Call account)-62204396388	9,204	(1,050)	-	9,204	(1,050)	-
First National Bank(Call account)-62205190854	(2,397)	(1,277)	-	(2,397)	(1,277)	-
Total	(3,579,072)	5,576,780	1,755,323	(4,809,739)	2,871,580	1,752,051

10. Long Term liabilities

Held at amortised cost

DBSA Loans	2,461,459	2,732,797
------------	-----------	-----------

Non-current liabilities

At amortised cost	2,212,406	2,567,459
-------------------	-----------	-----------

Current liabilities

At amortised cost	249,053	165,338
	2,461,459	2,732,797

Fair value of the financial liabilities carried at amortised cost

DBSA loans	2,461,459	2,732,979
------------	-----------	-----------

Summary of arrangements

DBSA Loans are repaid over periods varying from one to ten years, and at interest rate varying from 12% to 18.50%. DBSA Loans are not secured.

Management of the municipality is of the opinion that the carrying value of Long-Term Liabilities recorded at amortised cost in the financial statements approximate their fair values.

The fair value of Long-Term Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions

Refer to Appendix A for more detail on long-term liabilities.

Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
11. Finance lease obligation		
Minimum lease payments due		
- within one year	1,053,470	441,244
- in second to fifth year inclusive	3,544,503	1,364,757
Present value of minimum lease payments	4,597,973	1,806,001
 Non-current liabilities	 3,544,503	 1,364,757
Current liabilities	1,053,470	441,244
	4,597,973	1,806,001

It is municipality policy to lease certain [photocopiers, motor vehicles and equipment under finance lease

The municipality has finance lease agreements for the following significant classes of assets:

- Office Equipment
- Motor Vehicles

Included in these classes are the following significant leases

- (i) Photo copiers
 - Instalments are payable monthly in advance
 - Average period outstanding 43 months
 - Average effective interest rate 10.00%
 - Average monthly instalment 2 930
- (ii) Motor vehicles
 - Instalments are payable monthly in advance
 - Average period outstanding 31 months
 - Average effective interest rate 15.00%
 - Average monthly instalment 2 010

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Corridor Development Grant	8,505,000	8,904,000
Municipal Infrastructure Grant	-	2,272,827
Low Cost Housing Grant	1,232,377	1,232,377
Mtubatuba Library Assistance	48,645	165,098
Small Town Rehabilitation	4,848,413	504,937
Unspent Conditional Grant and receipt	14,634,435	13,079,239
 Movement during the year		
Balance at the beginning of the year	13,079,239	10,111,422
Additions during the year	20,353,680	15,825,560
Income recognition during the year	(20,961,257)	(12,857,743)
Reclassification to Other Receivables	2,162,773	-
	14,634,435	13,079,239

Municipal Infrastructure Grant debit balance was reclassified to Other Receivables, note 6.

Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
-----------------	------	------

13. Provisions

Reconciliation of provisions - 2011

	Opening Balance	Additions	Utilised during the year	Total
Landfill Site	1,941,118	203,817	-	2,144,935
Leave Pay Provision	1,595,717	326,004	(118,213)	1,803,508
	3,536,835	529,821	(118,213)	3,948,443

Reconciliation of provisions - 2010

	Opening Balance	Additions	Utilised during the year	Total
Landfill Site	1,756,668	184,450	-	1,941,118
Leave Pay Provision	1,203,835	481,107	(89,225)	1,595,717
	2,960,503	665,557	(89,225)	3,536,835

Performance Bonus Provision

Provision of performance bonus is based on a maximum of 12% of current remuneration of each Section 57 employee. The municipality will reassess the provision for landfill in the next financial year (2011/2012).

Environmental Rehabilitation Provision

Provision is made in terms of the environmental regulatory requirements of the landfill waste site, for the estimated cost of rehabilitation of waste site.

The provision has been determined on the basis of a recent independent study. The cost factors derived from the study by a firm of consulting engineers have been applied and discounted to present value at the average borrowing costs of 10.50%. The payment dates of the total closure and rehabilitation are uncertain but are expected to be between 2010 and 2014.

14. Trade and other payables

Trade payables	12,792,847	1,397,978
Payment recieved in advance	565,241	458,903
Payroll accruals	2,794,550	405,282
Retention Projects	1,098,427	564,216
Interest Payable	50,076	54,763
Other Payables	539,364	241,008
	17,840,505	3,122,150

The average credit period on purchases is 30 days from the receipt of the invoice (as determined by the MFMA). No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

Management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

Retentions refer to construction contracts.

Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
15. Property rates		
Rates received		
Rates Billed for the year	13,423,557	12,436,410
	13,423,557	12,436,410
Property rates - penalties imposed and collection charges	2,167,554	1,799,202
	15,591,111	14,235,612
16. Service charges		
Refuse removal	3,165,958	2,184,257
St Lucia Security	1,452,706	1,107,187
	4,618,664	3,291,444

Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
17. Government grants and subsidies		
Equitable share	12,640,248	11,013,250
Finance Management Grant	3,000,000	3,434,120
Municipal Systems Development	-	193,510
Land Use Management Systems	-	103,439
Performance Management Grant	-	188,089
Mtubatuba Library Assistance	2,185,648	134,503
Corridor Development Grant	399,000	96,000
Intergrated Development Plan Review	-	61,761
Development Capacity	-	5,848
Municipal Infrastructure Grant	11,594,600	6,749,680
Govenance Support	504,937	95,063
Small Town Rehabilitation	4,511,587	-
Municipal Sytems Improvement Grant	750,000	-
	35,586,020	22,075,263
Corridor Development Fund		
Balance unspent at beginning of year	8,904,000	8,904,000
Conditions met - transferred to revenue	(399,000)	-
	8,505,000	8,904,000
Conditions still to be met - remain liabilities (see note 12)		
Intergrated Development Plan Review		
Balance unspent at beginning of year	-	61,761
Conditions met - transferred to revenue	-	(61,761)
	-	-
Conditions still to be met - remain liabilities (see note 12)		
Performance management systems		
Balance unspent at beginning of year	-	188,085
Conditions met - transferred to revenue	-	(188,085)
	-	-
Conditions still to be met - remain liabilities (see note 12)		
Land use Management System		
Balance unspent at beginning of year	-	103,439
Conditions met - transferred to revenue	-	(103,439)
	-	-
Conditions still to be met - remain liabilities (see note 12)		

Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
17. Government grants and subsidies (continued)		
Financial Management Grant		
Balance unspent at beginning of year	-	1,031,892
Current-year receipts	3,000,000	2,750,000
Conditions met - transferred to revenue	(3,000,000)	(3,781,892)
	-	-
Conditions still to be met - remain liabilities (see note 12)		
Municipal Systems Improvement Grant		
Balance unspent at beginning of year	-	197,899
Current-year receipts	-	735,000
Conditions met - transferred to revenue	-	(932,899)
	-	-
Conditions still to be met - remain liabilities (see note 12)		
Municipal Development Planning Capacity		
Balance unspent at beginning of year	-	27,916
Conditions met - transferred to revenue	-	(27,916)
	-	-
Conditions still to be met - remain liabilities (see note 12)		
Umkhanykude Water / Eskom		
Balance unspent at beginning of year	-	423,525
Conditions met - transferred to revenue	-	(423,525)
	-	-
Conditions still to be met - remain liabilities (see note 12)		
Disaster Claim Low Cost		
Current-year receipts	-	150,000
Conditions met - transferred to revenue	-	(150,000)
	-	-
Conditions still to be met - remain liabilities (see note 12)		
Gijima KZN Implementation Plan		
Balance unspent at beginning of year	-	9,465
Conditions met - transferred to revenue	-	(9,465)
	-	-
Conditions still to be met - remain liabilities (see note 12)		

Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
17. Government grants and subsidies (continued)		
Municipal Infrastructure Grant		
Balance unspent at beginning of year	2,272,827	3,734,508
Current-year receipts	7,159,000	5,288,000
Conditions met - transferred to revenue	(11,594,600)	(6,749,681)
Reclassification to Other Receivables	2,162,773	-
	-	2,272,827
Conditions still to be met - remain liabilities (see note 12)		
Low Cost Housing Grant		
Balance unspent at beginning of year	1,232,377	1,208,337
Current-year receipts	-	73,960
Conditions met - transferred to revenue	-	(49,920)
	1,232,377	1,232,377
Conditions still to be met - remain liabilities (see note 12)		
Mtubatuba Library Assistance		
Balance unspent at beginning of year	165,098	(25,405)
Current-year receipts	96,000	378,600
Conditions met - transferred to revenue	(212,453)	(188,097)
	48,645	165,098
Conditions still to be met - remain liabilities (see note 12)		
Small Town Rehabilitation		
Balance unspent at beginning of year	-	-
Current-year receipts	9,360,000	-
Conditions met - transferred to revenue	(4,511,587)	-
	4,848,413	-
Conditions still to be met - remain liabilities (see note 12)		
18. Other revenue		
Other income	899,568	985,658
The amount included in other revenue:		
Building Plan fees	32,441	47,839
Burial Fees	161,102	170,904
Rates Clearance Certificate Fee	36,909	14,351
Garden & Special Removal	-	2,540
Sale of Documents	71,041	56,922
Search fees	46,973	3,188
Miscellaneous Income	551,102	650,141
Town Rezoning Application	-	12,250
PIF Interest	-	27,223
	899,568	985,358

Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
19. General expenses		
Advertising	360,299	118,753
Auditors remuneration	1,479,214	1,517,303
Bank charges	133,603	83,449
Cleaning	23,784	129
Consulting and professional fees	743,219	301,057
Consumables	206,771	141,253
Entertainment	243,073	61,198
Insurance	424,198	175,548
Community development and training	678,884	20,410
Lease rentals on operating lease	86,067	40,331
Fuel and oil	861,127	369,126
Postage and courier	20,758	152,218
Printing and stationery	390,473	243,521
Protective clothing	237,684	114,768
Security (Guarding of municipal property)	1,756,205	986,853
Subscriptions and membership fees	99,714	117,082
Telephone and fax	780,324	692,244
Training	238,922	69,896
Subsistence and travel	1,136,654	563,112
Refuse Bag	223,653	161,683
Electricity	497,029	249,556
Fire Fighting Material	-	1,101,567
Disaster Management	2,256,980	63,620
Environmental Management	-	6,894
Other General Expense	158,494	245,033
Waste Management Plan	1,483,747	3,422
Special Programmes	3,010,533	724,649
	17,531,409	8,324,675

Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
20. Employee related costs		
Basic	12,742,481	11,499,381
Bonus	863,944	-
Medical aid - company contributions	924,959	628,002
UIF	126,621	105,704
WCA	-	171,386
SDL	174,320	132,619
Bargaining Council	6,466	6,369
Leave pay provision charge	-	481,106
Group Life Insurance	410,700	274,123
Pension Fund-Company Contribution	1,627,562	1,387,107
Telephone Allowance	211,212	85,222
Post-employment benefits - Pension - Defined contribution plan	-	288,241
Travel, motor car, accommodation, subsistence and other allowances	1,995,063	1,537,675
Overtime payments	943,131	791,151
Housing benefits and allowances	40,511	28,418
	20,066,970	17,416,504
Remuneration of municipal manager		
Annual Remuneration	-	519,047
Car Allowance	-	164,353
Telephone Allowance	-	16,600
	-	700,000
Remuneration of chief finance officer		
Annual Remuneration	409,013	447,399
Car Allowance	133,923	140,001
Cellphone Allowance	16,500	16,600
Other	84,536	-
	643,972	604,000
Corporate and human resources (corporate services)		
Annual Remuneration	466,613	447,399
Car Allowance	154,805	140,001
Cellphone Allowance	18,000	16,600
	639,418	604,000
Community Services		
Annual Remuneration	473,493	447,399
Car Allowance	154,805	140,001
Cellphone Allowance	18,000	16,600
Other	90,880	-
	737,178	604,000
Technical Services		
Annual Remuneration	466,613	447,399
Car Allowance	154,803	140,001
Cellphone Allowance	18,000	16,600
	639,416	604,000

Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
21. Remuneration of councillors		
Mayor	272,744	295,557
Deputy Executive Mayor	246,854	238,579
Executive Committee Members	313,096	224,344
Speaker	246,854	238,579
Councillors	1,385,443	996,368
	2,464,991	1,993,427
In-kind benefits		
The Mayor and the speaker is provided with an office at the municipality where they share a secretary.		
Certification by the Municipal Manager:		
I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.		
22. Debt impairment		
Debt impairment	8,417,187	3,710,052
23. Investment revenue		
Interest revenue		
Interest from Bank	199,647	183,216
24. Depreciation and amortisation		
Property, plant and equipment	5,707,574	5,317,850
25. Finance costs		
Finance leases	611,108	248,528
Current borrowings	215,073	260,281
	826,181	508,809
26. Auditors' remuneration		
Fees	1,479,214	1,517,303

Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
27. Cash generated in operations		
Deficit	(12,730,306)	(2,124,444)
Adjustments for:		
Depreciation and amortisation	5,707,574	5,317,850
Finance costs - Finance leases	611,108	248,528
Debt impairment	8,417,187	3,710,052
Movements in retirement benefit assets and liabilities	-	211,116
Movements in provisions	411,608	115,000
Other non-cash items	(4,194,411)	22,558,049
Changes in working capital:		
Assets held for sale	-	(22,558,049)
Trade and other receivables from exchange transactions	(2,162,773)	212,664
Consumer debtors	(2,653,218)	(5,148,438)
Trade and other payables	14,718,354	(331,244)
VAT	(1,709,761)	2,113,863
Unspent conditional grants and receipts	1,555,196	2,943,777
	7,970,558	7,268,724

28. Commitments

Authorised capital expenditure

Approved and contracted for

• Infrastructure	12,482,982	2,518,973
------------------	------------	-----------

This committed expenditure relates to Infrastructure and will be financed by MIG

29. Contingencies

Contingent liabilities

Joyce Mbatha - Damages due to an ankle fracture by J Mbatha
Golden Sizwe Construction (Pty) Ltd summons the Municipality for housing development.
Ian Wayles Actioneers - Claim for Commission as they were conducting Auction on behalf of Municipality
Mbali P. Sithole was dismissed and she appealed her dismissal.

30. Prior period errors

The correction of the error(s) results in adjustments as follows:

Reallisation of Land	29,924,864	27,547,039
Provision for Performance bonus	259,609	-
Provision Post Employment Benefit	1,908,741	-
Surplus on revaluation of assets	61,947,978	-
(Deficit)/Surplus for Previous Year	(12,730,406)	2,377,825
	81,310,786	29,924,864

Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
-----------------	------	------

31. Financial Instruments

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in note cash and cash equivalents disclosed in note 9, and equity as disclosed in the statement of financial position.

The gearing ratio at 2011 and 2010 respectively were as follows:

Total borrowings			
Finance lease obligation	11	4,597,973	1,806,001
Other financial liabilities	10	2,461,459	2,732,797
		7,059,432	4,538,798
Less: Cash and cash equivalents	9	(4,806,164)	2,876,580
Net debt		11,865,596	1,662,218
Total equity		102,658,812	52,505,266
Total capital		114,524,408	54,167,484

Financial risk management

The Directorate: Financial services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The entity does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports quarterly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the Annual Financial Statement

Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 38.7 below). No formal policy exists to hedge volatilities in the interest rate market.

Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term debtors, consumer debtors, other debtors, and bank and cash balances.

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates

Interest Rate Sensitivity Analysis

The sensitivity analysis below was determined based on the exposure to interest rates at the reporting date. For variable rate long-term instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instrument at year-end with variable interest rates are set out in 38.7 and 38.8 below.

Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
-----------------	------	------

31. Financial Instruments (continued)

The municipality's sensitivity to interest rates has decreased during the current period mainly due to the reduction in the balance of the variable rate debt instrument.

Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at balance sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Mtubatuba Municipality

(Registration number KZ275)

Annual Financial Statements for the year ended 30 June, 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
32. Irregular expenditure		
Opening balance	7,553,609	6,624,684
Add: Irregular Expenditure - current year	6,706,676	928,925
	14,260,285	7,553,609

Details of irregular expenditure – current year

Details of irregular expenditure – current year

Irregular expenditure was incurred when:

amount of conditional grants allocation was spent to fund operating expenditure (outside the grant condions) R4 929 373.

Contracts were given to companies where members were working for the state, amount of R1 777 302.71.

33. Actual vs Budget

Revenue	Actual	Budget	Variance
Property Rates	13,423,557	13,686,000	262,443
Service Charges	4,618,664	4,744,000	125,336
Property Rates	2,167,554	450,000	(1,717,554)
Rental of Facilities Equipment	269,818	227,943	(41,875)
Fines	198,792	207,000	8,208
Licences and Permits	2,437,854	2,300,000	(137,854)
Government Grants & Subsidies	35,586,020	39,290,496	3,704,476
Other Income	899,568	2,387,390	1,487,822
Interest Received - Investment	199,647	300,000	100,353
	59,801,474	63,592,829	3,791,355

Expenditure	Actual	Budget	Variance
Personnel	20,066,970	19,335,504	(731,466)
Remuneration of Councillors	2,464,991	2,719,000	254,009
Depreciation and Amortisation	5,707,574	88,000	(5,619,574)
Finance Costs	826,181	450,000	(376,181)
Debt Imparement	8,417,187	2,747,000	(5,670,187)
Repairs and Maintenance	5,228,552	3,691,741	(1,536,811)
Contracted Services	2,835,850	8,038,000	5,202,150
Grants and Subsidies Paid	9,453,066	14,076,592	4,623,526
General Expenditure	17,531,409	10,776,376	(6,755,033)
	72,531,780	61,922,213	(10,609,567)

5.4. REPORT BY THE AUDIT COMMITTEE

As identified by auditors on paragraph 16 of the Audit Report, the Audit Committee was not fully operational during the financial. Measures will be put in place to ensure that the Audit Committee fulfils its duties during the 2011/12 financial period.

5.5. AUDIT RECOVERY PLAN

Below is the Audit recovery plan, clearly outlining all the issues that were raised by the Auditor General and remedial action thereto.

PARAGRAPH	AUDIT QUERY	ROOT CAUSES	PLANNED MANAGEMENT ACTIVITY	TARGET DATE	MEANS OF VERIFICATION	RESPONSIBLE PERSON
Par. 08	<p>Going concern</p> <p>Note 27 to the financial statements indicates that the Mtubatuba Municipality incurred a net loss of R12,730 million during the year ended 30 June 2011 and, as of that date, the municipality's current liabilities exceeded its current assets by R8,212 million. Furthermore, a number of creditors were not paid within the stipulated 30 days with conditional grant funding being utilised for daily operating expenditure as a result of cash flow problems, as disclosed in note 32 to the financial statements.</p>	Non sustainable cash flow position	<p>The Management will develop and table to Council the draft revenue enhancement Strategy in order to identify new revenue sources and improve current revenue sources</p> <p>The Council to review its budgeting strategy, ensuring that the budget is correctly funded, this will require the Council to resolve of the Adjustment budget in order to avoid the possible deficit by the end of the financial year</p> <p>The Council to develop and approve the Unspent Conditional Grants Management Policy. The policy to administrate the withdrawal and borrowing from the fund (Separate bank accounts to deposit conditional grants)</p> <p>2011/2012 Budget to be adjusted downwards by at least R20 Million</p>	31 March 2012	<ul style="list-style-type: none"> - Council resolutions - Policies - Adjustment budget 	Chief Financial Officer
Par. 09	<p>Irregular expenditure</p> <p>As disclosed in note 32 to the financial statements the municipality incurred irregular expenditure of R6,706 in contravention of DORA where grant funding was used for daily operating expenditure and goods and services were procured suppliers whose members were in the service of the state, contrary to paragraph 44 of the Municipal Supply Chain Management (SCM) Regulations.</p>		<p>Management to maintain separate Bank Account for each grant that has unspent fund with immediate effect</p> <p>Unspent Conditional Grants Policy need to be formulated and approved by the Council</p>	<p>28-Feb-12</p> <p>31-Mar-12</p>	<p>Monthly Grants Management Reports</p> <p>Policy document</p>	Chief Financial Officer
Par. 13	<p>Annual financial statements</p> <p>The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of cash flow statement, expenditure and</p>	Annual Financial Statements were submitted by fax to Auditor general	Management will submit the annual financial statements to the Internal audit unit before they be submitted to auditor general. The internal audit will review the Financial Statement to give council the quality assurance that financials	17-Aug-2012	Quality Assurance Report by Internal Audit Unit	Chief Financial Officer

	disclosure items identified by the auditors were subsequently corrected resulting in the financial statements receiving an unqualified audit opinion.		meet all requirements by GRAP accounting standards			
Par. 14	Annual performance report The performance report for the financial year under review was not prepared as required by section 46 of the Local Government: Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA) and section 121 (3) (c) of the MFMA.	Records Management: the report that was delivered to the municipality could not be located for submission for audit	The Annual Performance Report will be completed during January 2012, where the copy of the report will be submitted to the Auditor General before it be tabled to Council and the Oversight Committee	31 Jan 2012	Council resolution and Annual report document	Municipal Manager
Par. 15	<u>Expenditure management</u> Management of expenditure was not in accordance with section 65 (2) (e) of the MFMA as payments totalling R2,5 million were not made within 30 days of receipt of the invoices.	Poor Cash Flow throughout the financial year	Management will table to Finance Committee the detailed financial report, where all financial challenges will be known and where necessary the adjustment budget be approved in order to curb excessive spending when cash is not sufficient to meet current commitments	Monthly	Detailed Financial Report tabled to the finance committee	Chief Financial Officer
Par. 16	<u>Audit committee</u> An audit committee although in place for the year was not effective as required by section 62 of the MFMA, with no review being performed of the annual financial statements prior to submission for auditing purposes.	Poor functionality by the audit committee and that the work is performed by individuals who are driven by financial benefit	The Audit Committee will be re-established and assurance will be made that only individuals with interest on service delivery and are capable will be employed	31 January 2012	<ul style="list-style-type: none"> - Audit Committee Calendar - Audit Committee Agenda - Audit Committee Reports 	Chief Financial Officer
Par. 17	<u>Irregular expenditure</u> The accounting officer did not take reasonable steps to prevent irregular expenditure, as required by section 61 (1) (d) of the MFMA.		With immediate effect, all existing contracts that are impacted on the audit finding will be terminated. The Supply chain	31 Mar 2012	<ul style="list-style-type: none"> - Contract Termination Letters - Reviewed SCM Policy 	Chief Financial Officer

			<p>management policy will be reviewed to include declarations by all service providers dealing with the municipality at each and every stage of conclusion of future contracts</p> <p>Black listing of bidders will be considered, for suppliers who are found to provide false information to comply with tender regulations</p>			
Par. 18	<p><u>Procurement and contract management</u></p> <p>Awards were made to providers whose directors / principal shareholders are persons in service of other state institutions in contravention of the SCM regulations, paragraph 44. Furthermore, the provider failed to declare that they were in the service of the state as required by SCM regulation 13 (C).</p>		<p>With immediate effect, all existing contracts that are impacted on the audit finding will be terminated.</p> <p>The Supply chain management policy will be reviewed to include declarations by all service providers dealing with the municipality at each and every stage of conclusion of future contracts</p> <p>Black listing of bidders will be considered, for suppliers who are found to provide false information to comply with tender regulations</p>	31 Mar 2012	<ul style="list-style-type: none"> - Contract Termination Letters - Reviewed SCM Policy 	Chief Financial Officer
Par. 24	<p>Governance</p> <p>Management did not ensure that the audit committee promoted accountability and service delivery through evaluating and monitoring responses to risks and providing oversight of the effectiveness of the internal control environment including financial and performance reporting and compliance with laws and regulations.</p>	<p>Poor functionality by the audit committee and that the work is performed by individuals who are driven by financial benefit</p>	<p>The Audit Committee will be re-established and assurance will be made that only individuals with interest on service delivery and are capable will be employed</p>	31 January 2012	<ul style="list-style-type: none"> - Audit Committee Calendar - Audit Committee Agenda - Quarterly 	Chief Financial Officer

					<i>Audit Commi ttee Report s</i>	
<i>Par. 25</i>	<p><u>Governance</u></p> <p><i>Internal audit did not review all the quarterly reports and final performance information report to ensure that they were in compliance with the relevant laws and regulations</i></p>	<i>The Internal Auditors was contracted during the year and could not complete the full year calendar</i>	<p><i>The management will ensure that the internal auditors comply with the internal audit plan for 2011/12 financial year</i></p> <p><i>The management will ensure that the reports by the internal audit are communicated to the audit committee and to Council</i></p>	<i>31 Jan 12</i>	<p><i>Internal Audit Plan</i></p> <p><i>Internal Audit Quarterly Reports</i></p>	<i>Chief Financial Officer</i>

CHAPTER 6

6.1. FEEDBACK FROM THE COMMUNITY

6.2. OVERSITE REPORT

6.3. CONCLUSION